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C O N F I D E N T I A L SECTION 01 OF 03 BRUSSELS 001338

SIPDIS

DOE FOR PDAS JONATHAN ELKIND

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TAGS: ECON EPET EUN

SUBJECT: JOSCHKA FISCHER DISCUSS NABUCCO WITH AMB.

MORNINGSTAR

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Classified By: USEU EEST Chief Louis Bono for reasons 1.5(d) and (e)

¶1. (SBU) Summary and Introduction: On September 17, Special Envoy for Eurasian Energy Richard Morningstar, DoE PDAS for Policy and International Affairs Jonathan Elkind, and Charge d'Affaires a.i. Christopher Murray met with former German Foreign Minister Joschka Fischer, now a special advisor to RWE for Nabucco, and RWE's CEO for Trade and Supply Stefan Judisch. Judisch was optimistic about the Nabucco gas pipeline project. He dismissed the notion that Nabucco lacks gas and recounted RWE's prospects for securing 9.8 bcm/a from Turkmenistan, 8 bcm from Azerbaijan and 15 bcm from Northern Iraq, which would bring Nabucco to full capacity and make it the most economical pipeline to Europe, compared to the alternatives. However, securing these supplies will require a series of complex arrangements between the unaccommodating states of the region. Fischer played his role, describing the dynamics between the States and their leaders, and warned of Russia's influence through Italy and at one point intimating that the Turkey-Greece-Italy pipeline would be an extension of Gazprom in Europe. Both he and Judisch requested U.S. support with the EU, Turkey, Cyprus, Iraq, and Azerbaijan and insisted the U.S. do more to publicly support Nabucco, not just the Southern Corridor. A humorous moment occurred when Fischer admonished Judisch for mentioning the word "curveball." End summary.

Connecting Turkmenistan and Azerbaijan

¶2. (SBU) Judisch said Turkmen President Berdimuhamedov was poised to sell gas to the Nabucco consortium: "In the past, he said only that gas would be delivered to the border. Now, he has twice said publicly that he would deliver gas to Nabucco." Judisch added that Turkmenistan is losing \$1 billion a month -- half of its annual GDP of \$24 billion -- due to the April explosion in the CAC-4 pipeline that transmits gas to Russia. He called Berdimuhamedov "a brave man" for withstanding Russian pressure for so long at such high costs and said the Turkmeni President is now anxious to conclude a deal with the West. According to Judisch, all it would take to link Turkmeni gas to Nabucco would be a "technical tie-in" between the Petronas platform, which is in Turkmeni waters (Block 1), and the BP platform over the ACG field. Turkmenistan continues to lay claim to the ACG field,

which straddles the Azeri-Turkmen border. Judisch claimed that since both fields are in Turkmenistan, no formal agreement would be required. (Note: A BP executive opined that this is a poor solution given that Azerbaijan would be reluctant to give up any claims to the field. He said merely running a pipe along the seabed between the two fields would not require approval from the other Caspian States - Iran, Russia, and Kazakhstan. End note.)

¶3. (C) Both Fischer and Judisch believe that Azeri President Aliyev is amenable to a transit arrangement with Turkmenistan. Fischer said it will increase Azerbaijan's "importance and political weight" in Europe: "Aliyev wants more European security beyond Greece, Austria, and Bulgaria." Judisch added that Aliyev has twice said ",we are alone under Russian pressure and need solidarity with Turkmenistan.," He said Aliyev and Berdimuhamedov believe each other to be "a coward," and "they need (to be encouraged) to stand together." Fischer said the Russian pressure on Azerbaijan and Turkmenistan underscores the need to move forward on Nabucco.

¶4. (C) Ambassador Morningstar noted that in addition to the Turkmenistan-Azerbaijan issue, an agreement between Turkey and Azerbaijan is also a priority. Fischer called on the U.S. to "focus on" the Nagorno-Karabakh dispute. While relations between Turkey and Armenia are "encouraging," Aliyev has warned that the "energy deal will blow up" if the Turkey-Armenia border is opened. Amb. Morningstar said the Administration has been and will continue to reach out to Aliyev to give him comfort on this issue.

A New Ottoman Era

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¶5. (C) Judisch said Turkey is not a credible player. It wants 8 bcm/a from Nabucco and another 8 bcm from Azerbaijan's Shah Deniz II field: "The Turks have overestimated their demand, and they risk the inability to fulfill their contracts." He said Energy Minister Yildiz is "an improvement" over his predecessor, but "he is a Gul man" and there is a "rift between Yildiz and Erdogan." Fischer advised that while Erdogan and Gul "are different, they are on the same page," but he added that "Erdogan is the true decision-maker."

¶6. (C) Fischer urged close cooperation with Turkey's Foreign Minister Davutoglu, noting: "He is a strategist who seeks to develop a new Ottoman foreign policy." He said Turkey seeks to become an "energy hub" and cited Turkey's discussions with the Iraqi Kurdistan Workers' Party (PKK) on this issue. Indeed, he said "Barzani (President of the Iraqi Kurdish Regional Government (KRG)) feels he must rely more and more on Turkey." Judisch said that Northern Iraq is primed to export gas through Turkey if only the GoI would "recognize the DNO deal" as a basis for future contracts. (Note: The deal with Norwegian DNO was signed in 2004 before the handover. It calls for 17 percent of the revenues to be distributed to the KRG with the remainder to the GoI. End note.) He said if we succeed, "we can build Nabucco without Caspian gas and put pressure on Azerbaijan and others." In this context, he asked for U.S. intervention with the GoI. Fischer added that given Iran's influence in Baghdad, a European connection "would be perfect for Iraq."

Fischer Talks Politics/Games

¶7. (C) Returning to Turkey, Fischer said it would be possible to mobilize the next (Merkel) government "to be more forward on accession, but it will take time." He said the "new Commission and German government need to settle in, and they need the UK's support. It would be helpful if France could moderate its behavior, and let things happen." The Turks do not trust the Europeans" they need "emotional support and Putin recognized this. There is a perception that Russia

gave Turkey a lot, and the message for Europe is that Turkey is drifting towards Russia." He continued that the EU "could have answered Putin's visit by opening the Energy Chapter." He said the U.S. should engage the EU and large member states on Cyprus, which should not be allowed to hold Turkey's accession process hostage.

¶8. (C) Judisch warned that the Russians are trying to outflank Nabucco through German, French, and Italian joint ventures on the Nord Stream, South Stream, and TGI projects. Fischer noted that the difference between France and Germany on one hand and Italy on the other is the personal relationship between Putin and Berlusconi: "I worry that Putin is making decisions through Berlusconi" and added that only (Speaker of the House) Fini can stand up to Berlusconi but not (Foreign Minister) Fratinni." Fischer said the Russians are very worried about the lack of progress on Nord Stream. He said their anti-Nabucco propaganda "Nabucco has curity) puzzle," albeit "a critical piece." He said Europe needs to approach its energy security in the context of its overall security and needs to take a collective approach. He said that "we are doing everything we can behind the scenes, but you cannot expect the U.S. to be more European than the Europeans."

¶10. (SBU) Fischer concurred and said the Nabucco partners

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"must continue to lobby for European support." He said "I will work with the new German government to correct the impression about German support and in Brussels, where we need more visibility from the large member states." He concurred that Spain could play a constructive role during its EU presidency. Towards the end of the meeting, Judisch urged continued cooperation and cautioned against those who would throw "a curveball" into the effort. Fischer cut him off and said in all earnestness "don't ever mention the word Curveball to the Americans!"

¶11. (SBU) Comment: We sensed the pressure on RWE to get Nabucco going. Fischer's plea for the USG to support Nabucco explicitly rather than the broader concept of the Southern Corridor indicates they may feel that TGI is pulling ahead in the race for Azeri gas. End comment.

¶12. (U) Amb. Morningstar and PDAS Elkind have cleared this cable.

Murray

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